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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - SEPTEMBER 5, 2006

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Local Elections

¶2. Opposition Council Discusses Local Opposition Coalitions

The Political Council of the United Democratic Forces (UDF) coalition convened a meeting on August 30 to discuss the establishment of local opposition coalitions in the run-up to local elections currently scheduled for January 14. Opposition Belarusian Popular Front (BPF) leader Vinstuk Vyachorka predicted local coalitions would likely include NGOs and trade unions that are not part of the national UDF coalition but support its strategy. According to Vyachorka, the Political Council did not discuss proposals for organizing a new congress of pro-democracy

forces but would in September. Earlier, BFP Deputy Chairman Viktor Ivashkevich suggested convening a second congress of pro-democracy forces that would include activists who collected more than 500 signatures for the local elections. Opposition United Civic Party leader Anatoliy Lebedko expressed support for the second Congress.

Civil Society

13. Milinkevich Visits France, Opposes Union State

On September 1, former opposition presidential candidate Aleksandr Milinkevich visited France to discuss a possible referendum on unification of Belarus and Russia with French Interior Minister Nicolas Sarkozy, Foreign Minister Philippe Douste-Blazy, and NATO Parliamentary Assembly President Pierre Lellouche. Milinkevich decried any such referendum as illegitimate and observed that Belarusian youth will not accept the "loss of their homeland." He asserted French politicians share his opposition and called upon other western leaders to oppose the creation of a Russian-Belarusian Union State.

14. Police Seize Opposition Protestor, Nine Reporters in Bobruisk

On August 31, police detained opposition Bobruisk City Council member Ales Chigir and nine journalists in the central eastern city of Bobruisk for several hours. Chigir had chained himself to a pole in the city's central square to protest his dismissal from a local school after working as a history teacher for 13 years. Chigir headed opposition presidential candidate Aleksandr Milinkevich's campaign team in Belarus' eastern Mogilev region during the 2006 presidential elections. According to Chigir, the education department fired him for political reasons.

15. Three Journalists to Be Awarded Dmitriy Zavadskiy Prize

On August 31, a source with the Belarusian Association of

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Journalists (BAJ) told independent media that Russia's First Channel will award three Belarusian journalists its annual Dmitriy Zavadskiy Prize on September 11. This year's recipients include independent newspaper "Nasha Niva" editor-in-chief Andrey Denko and photographer Yuliya Doroshkevich and "Komsomolskaya Pravda" staff writer Oleg Ulevich. The prize was instituted six years ago to commemorate a Belarusian cameraman with the Russian television network who disappeared in Minsk under mysterious circumstances in 2000, and recognizes courage and professionalism of journalists in the face of government repression.

16. Writers' Union Evicted from Headquarters

On August 30, the Union of Belarusian Writers (UBW), which was founded in 1934, was evicted from its headquarters in central Minsk. In March, the Minsk City Economic Court ruled that the UBW had occupied premises in the House of Writers illegally since January 2003 when its lease with the Presidential Administration (PA) Property Management Department expired without renewal. The UBW lost government support in 2001 and subsequently refused to pay the PA rent on the grounds that its building, the House of Writers, was built with writers' royalties. According to UBW Chairman Ales Pashkevich, the union will hold a meeting in October on the return of its headquarters. In the meantime, the UBW needs to find a different legal address to remain a registered organization.

17. Belarusian Border Guards Stop Two Opposition Leaders

On August 29, Belarusian border guards prevented two leaders of the Brest chapter of the opposition Belarusian Social Democratic Party "Gramada" (BSDP) from crossing the border into Ukraine. Authorities pulled Brest regional BSDP Head Igor Maslovsky and his predecessor, Georgiy Rutskiy, off their train to Kiev, searched them, and seized their notebooks without explanation. The BSDP leaders were permitted to board another train to Kiev later that day. On August 21, border guards detained a group of BSDP youth

activists as they traveled to the Ukrainian city of Shatsk.

International Relations

¶8. Speaker of South African National Assembly to Visit Belarus

On August 29, South African National Assembly Speaker Baleka Mbete accepted an invitation from Belarusian Foreign Minister Sergey Martynov to visit Belarus. Martynov issued the invitation during his four-day visit to South Africa for talks on economic and political cooperation with South African President Mbeki, Defense Minister Lekota, and Arts and Culture Minister Jordan. Jordan and Martynov signed an interstate agreement on artistic and cultural cooperation.

¶9. Mayors of 27 CIS Cities to Attend Minsk Conference

On August 30, Minsk City Economic Committee Chief Vladimir Tishurov announced the mayors of 27 cities and vice mayors of 11 cities in the Commonwealth of Independent States (CIS) are expected to attend the tenth conference of the International Assembly of Capitals and Large Cities scheduled for September 8 and 9. The conference agenda includes sightseeing, a visit to a Minsk commercial exhibit in front of the new building of the National Library, and tours of municipal utilities. The International Assembly of Capitals and Large Cities, which is headed by Moscow Mayor Yuriy Luzhkov, currently includes 59 cities in the CIS.

¶10. Belarusian Delegation Attends Conference on Nuclear Materials

On August 29, a Belarusian delegation attended an international conference on nuclear materials control at Ukraine's Khmel'nitski nuclear power station. Other attendees in the conference included experts and officials representing the European Union, Lithuania, Russia, Sweden, Ukraine, the United States, and the International Atomic Energy Agency (IAEA). Participants discussed proposals for an international framework to control nuclear materials and IAEA safeguards. The U.S. Department of Energy helped organize the conference.

¶11. Belarus Ready to Send Aid to Lebanon, Lacks Airlift

On August 31, the Belarusian Emergency Management Ministry expressed its readiness to send Lebanon humanitarian assistance including diesel power generators, water purifiers, blankets, tents and food. However, the Ministry noted that Belarus had no aircraft for transporting the aid, but would turn to Russia for logistical support.

Trade and Investment

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¶12. Beltransgaz Assets to Be Appraised in October

On August 30, Belarusian First Deputy Prime Minister Vladimir Semashko announced an appraisal of the assets of Belarus' gas transport company will be conducted in October. According to Semashko, the Dutch firm ABN Amro will estimate the upper and lower limits of market prices for Beltransgaz. In 2003, Gazprom announced its intention to buy 50 percent of Beltransgaz assets after determining the net assets value. However, Beltransgaz insisted on appraising the true market before agreeing to sell. In May, Semashko had offered to sell Gazprom a controlling share of Beltransgaz for a share of Russian gas production amounting to 12 billion cubic meters of gas per year.

¶13. BMZ Director General Endorses Union State

On August 30, Belarusian Steel Works (BMZ) Director General Nikolai Andrianov urged Russia and Belarus to sign the Constitutional Act on the Belarusian-Russian Union State as soon as possible. He said

the two countries should form one state in order to provide equal conditions for Belarusian and Russian enterprises. He predicted that equal prices for energy would result from the union, allowing BMZ to increase its profits by seven or eight percentage points above the current 20 percent.

Domestic Economy

¶14. Belarus Budget Surplus at 1.5 Percent of GDP

On August 31, Belarus' Ministry of Statistics posted a state budget surplus of USD 297 million, or 1.5 percent of GDP, from January to July. State budget revenues amounted to USD 7.2 billion during that period. Profit tax revenues reached USD 449 million, while VAT and excise revenues totaled USD 1.3 billion and USD 651 million, respectively. Meanwhile, foreign trade and foreign economic activity revenues amounted to USD 521 million. State budget expenditures reached USD 6.8 billion, 54.6 percent of the GOB target for 2006. Total state expenditures and the budget deficit for 2006 are projected at USD 12.5 billion and USD 608 million, respectively.

¶15. Belarus' Foreign Debt Down 1.1 Percent

On August 31, the Belarusian Ministry of Finance (MinFin) announced that Belarus' state foreign debt decreased 1.1 percent in July to USD 746.3 million as of August 1. The debt declined 4.8 percent from January to July. As of August 1, long-term government debt accounted for 69.6 percent of foreign debt, and short-term debt totaled 4.3 percent. The GOB has set its foreign debt limit for late 2006 at USD 2 billion. Belarus' largest creditors are Germany, the World Bank, the United States, and Russia.

¶16. Belarus' Internal Debt Up 4.5 Percent

On August 31, the MinFin reported Belarus' nominal internal debt increased 4.5 percent on the month in July to USD 1.8 billion as of August 1. Nominal debt rose four percent from January to July while real debt increased 0.4 percent. Internal debt decreased by USD 69 million in during January to July, or 0.4 percent of GDP. Belarus' state budget restricted the annual increase in internal debt to 3 percent of GDP. Long-term debt and short-term government debt amounted to 56.4 and 25.3 percent of all internal debt, respectively.

Quote of the Week

¶17. During an interview about the recent death of the Lithuanian vice consul in the western city of Brest, Belarusian Member of Parliament Nikolai Cherginets warned other countries against sending intelligence agents posing as diplomats to Belarus:

"Unfortunately, many countries do that. The country that sends an intelligence officer as a diplomat into our country is risking its image. So I can only say: whatever they want to do, let them do that, we won't advise against that, but let me warn them: if any intelligence officer of any country will act in Belarus against the interests of our state, he will be treated accordingly."

Moore